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# STATE OF INDIANA S Corporation Income Tax Booklet **2006 Form IT-20S**

**This booklet contains:**

Form IT-20S - Indiana S Corporation Income Tax Return  
IT-20S Schedule IN K-1 - Shareholder's Share of Indiana Adjusted Gross Income  
Worksheet for S Corporation Distributive Share Income, Deductions and Credits  
Sales/Use Tax Worksheet  
IT-20S Schedule E Apportionment of Income  
Schedule IT-20COMP Shareholders' Composite Adjusted Gross Income Tax Return  
Form DB020W-NR - Indiana Withholding Tax for Nonresidents

## Indiana Department of Revenue

### 2006 IT-20S - Indiana S Corporation Income Tax Booklet

#### Who Must File and When

Any S corporation doing business in Indiana and deriving gross income from sources within Indiana must file an annual return, Form IT-20S, and information returns IN K-1 with the Department disclosing each shareholder's share of distributed and undistributed income. These forms are due on or before the fifteenth day of the fourth month following the close of the S corporation's tax year. Attach the first four pages of the U.S. Income Tax Return for an S corporation, Form 1120S and Schedule M-3. Federal Schedules K-1 should not be attached but must be made available for inspection upon request by the Department.

The following activities occurring in Indiana constitute doing business or deriving income from Indiana sources:

1. Maintenance of an office, warehouse, construction site or other place of business;
2. Maintenance of an inventory of merchandise or material for sale, distribution or manufacture, or consigned goods;
3. The sale or distribution of merchandise to customers directly from company-owned or operated vehicles when the title of merchandise is transferred from the seller or distributor to the customer at the time of sale or distribution;
4. The rendering of a service to customers in Indiana;
5. The ownership, rental, or operation of a business or property (real or personal) in Indiana;
6. Acceptance of orders in Indiana with no right of approval or rejection in another state;
7. Interstate transportation; or
8. Maintenance of a public utility.

#### S Corporation Defined

Corporations that are permitted to and do file in accordance with Section 1361(a)(1) of the Internal Revenue Code (IRC) are exempt from the Indiana adjusted gross income tax for any tax period for which the election is in effect except on passive income and built-in gains. NOTE: S elections cannot be made retroactively. Qualifications under Indiana law for filing 2006 S corporation returns are essentially the same as in the Internal Revenue Code, in effect as of Jan. 1, 2006. However, the corporation must file an Indiana IT-20S and meet withholding requirements for nonresident shareholders under Indiana Code 6-3-4-13.

To the extent a qualified S corporation is exempt for federal purposes, the adjusted gross income tax will not be assessed. Effective for tax years beginning after December 31, 1994, an S corporation failing to withhold, instead of losing its tax exemption, will be subject to the penalty provided by IC 6-8.1-10-2.1(h). This penalty is 20 percent of the amount of tax required to be withheld and paid under IC 6-3-4-13 in addition to a penalty of \$10 for each failure to timely file an information return, IT-20S Schedule IN K-1.

Corporations filing for the first time must attach a copy of the approval letter from the Internal Revenue Service granting the S election.

#### References to the Internal Revenue Code

Public Law (PL) 184-2006, SEC. 4, updates references to the Internal Revenue Code in certain Indiana tax statutes. For tax year 2006, any reference to the Internal Revenue Code and subsequent regulations means the Internal Revenue Code of 1986, as amended and in effect on Jan. 1, 2006.

#### Utility Receipts Tax

Effective Jan. 1, 2003, a Utility Receipts Tax (Form URT-1) is imposed at the rate of 1.4 percent of the taxable receipts from the retail sale of utility services. Gross receipts are defined as the value received for the retail sale of utility services. The utility services subject to tax include: electric energy, natural gas, water, steam, sewage, and telecommunications.

If you have more than \$1,000 in gross receipts from the sale of utility services, you might be required to file Form URT-1 (Utility Receipts Tax Return), in addition to Form IT-20S. Refer to Commissioner's Directive 18.

#### Utility Services Use Tax

Effective July 1, 2006, an excise tax known as the utility services use tax is imposed on the retail consumption of utility services in Indiana at the rate of 1.4 percent where the utility receipts tax is not paid by the utility providing the service.

You may be liable for this tax if you purchase utility services from outside Indiana (or anywhere if for resale) and become the end user in Indiana of any part of the purchase. The person who consumes the utility service is liable for the utility services use tax based on the price of the purchase. Unless the seller of the utility service is registered with the Department to collect the utility services use tax on your behalf, you are required to remit this tax on Form USU-103. For more information, refer to Commissioner's Directive #32 available at [www.in.gov/dor/reference/comdir/pdfs/cd32.pdf](http://www.in.gov/dor/reference/comdir/pdfs/cd32.pdf)

#### General Filing Instructions

##### Liability of the S Corporation

S corporations as entities generally are not subject to income or financial institution tax.

- S corporations are considered to be the taxpayer with respect to the payment of amounts withheld at source. See *Withholding Tax Liabilities of S corporations* on page 3 for more information

- S corporations are subject to the use tax. Use tax is due on the storage, use or consumption of tangible personal property purchased in a transaction in Indiana or elsewhere, unless such transaction is exempted from the sales and use tax by law or the sales tax due and paid on the transaction equals the use tax due. See instructions for the Sales/Use Tax Worksheet on page 10.
- An apportionment schedule must be included with the return if the S corporation is doing business both within and outside Indiana and has any shareholders not domiciled in Indiana. See Instructions for IT-20S Schedule E Apportionment of Income beginning on page 20.
- An S corporation may file a composite adjusted gross income tax return on behalf of non-Indiana resident individual shareholders electing to participate in the composite return. See Filing Procedures for IT-20COMP Composite Return on page 19.
- Any passive income and built-in gains of an S corporation that is subject to tax under provisions of the Internal Revenue Code will be subject to Indiana adjusted gross income tax. See instructions for IT-20S Schedule B beginning on page 9.

S Corporations whose estimated adjusted gross income tax liability from Schedule B is more than \$1,000 for the tax year are required to file quarterly estimated tax payments. Estimated tax payments may be submitted with the Indiana corporation quarterly income tax return, preprinted Form IT-6, or by electronic funds transfer if the average quarterly liability exceeds \$10,000.

If an estimated account needs to be established to pay Schedule B corporate income tax liabilities, contact the Department to request preprinted quarterly estimated IT-6 returns.

The due dates for estimated tax payments for calendar year corporate taxpayers are April 20, June 20, Sept. 20 and Dec. 20 of the tax year. Fiscal year and short tax year corporate filers must remit by the twentieth day of the fourth, sixth, ninth and twelfth months of their tax period. For further instructions, refer to Income Tax Information Bulletin 11.

To avoid costly penalty and interest charges for delinquent filing of returns, an S Corporation should verify its tax status and withholding responsibilities before commencing business in Indiana.

## Withholding Tax Liabilities of S Corporations

The following instances obligate the S corporation to register with the Department and become an Indiana withholding agent on behalf of each of the following:

### Withholding on Residents

S corporations making payments of salaries, wages, tips,

fees, bonuses, and commissions subject to Indiana state and/or county income taxes and required by the Internal Revenue Code to withhold federal taxes on those types of payments are also required to withhold for Indiana tax purposes. Payment of amounts withheld must be remitted to the Department on the proper WH-1 withholding return by its due date. If a return and/or payment of the proper amount of tax withheld is not paid by the due date, penalty and interest will be added. A shareholder may be personally subject to criminal prosecution if the failure to pay and/or file a withholding return is due to fraud or tax evasion.

## Withholding on Nonresidents

**Employees** - An S corporation must withhold Indiana state and/or county income taxes from employees who work in Indiana but are not residents of Indiana. However, withholding on compensation of nonresident team members of certain professional sports organizations is based on duty days performed in Indiana. Refer to Income Tax Information Bulletin 88. There is an exception from withholding if an employee resides in one of the states that have entered into a reciprocal agreement with Indiana, but this does not affect county taxation. For purposes of withholding county income taxes, the term "nonresident" refers to a nonresident of the county where the S corporation is located.

**Individual Shareholders** - An S corporation must withhold state income tax at the rate of 3.4 percent on the amount it pays or credits any of its nonresident and part-year nonresident individual shareholders as dividends or as their share of the corporation's undistributed taxable income (on current-year earnings) derived from Indiana sources. This does not apply to residents of reverse credit states (Arizona, California -see note, Oregon, Washington D.C.) who are subject to and pay income taxes at rates of 3.4 percent or higher to their resident state.

**Note:** Indiana state withholding is required whenever a California resident shareholder is included in an Indiana composite adjusted gross income tax return.

Withholding at the appropriate adopting county's nonresident tax rate is required on each Indiana nonresident shareholder whose principal place of business or employment on Jan.1 is located in an Indiana county that has adopted a county income tax. Use Departmental Notice 1 to determine county tax withholding rates. This notice is available at [www.in.gov/dor/reference/notice/index.html](http://www.in.gov/dor/reference/notice/index.html)

**Trusts and Estates** - An S corporation must withhold on income distributions to all non-Indiana domiciled trusts, estates, and nonprofit organizations an amount reflecting the ultimate tax liability due Indiana by the

respective member or beneficiary because of the S corporation's activities.

**Note:** The withholding provisions do not apply to nonresident shareholders who are nontaxable trust or estate entities.

An S corporation must withhold tax from income distributions to a fiduciary passing through Indiana income to a nonresident beneficiary, and designate as a "Nominee" the ultimate recipient as if there were no other intermediary entities. The upper-tier S corporation passing through Indiana income to its shareholders must withhold tax for nonresident nominees on a final pro rata basis without reapportioning the income at the lower level. See Income Tax Information Bulletin 85.

The S corporation's withholding of state and/or county tax from nonresident shareholders is payable quarterly, if monthly average equals less than \$50, on Form WH-1. This form must be filed by the last day of the month following the end of each quarter where a distribution was made (e.g. if a current distribution is made on June 17, 2007, the withholding tax is remitted with Form WH-1 for June, and is due on July 30, 2007).

However, an S corporation having one distribution credited to shareholders during the year or at the close of the S corporation's fiscal year may be permitted to file Form DB020W-NR. This creates a nonresident withholding account if one does not exist, and allows the respective state and county withholding tax amounts on nonresidents to be paid at one time when a nonresident withholding account that is separate from the payroll withholding account is established. This withholding return, a copy of which is included in this booklet, is due by the fifteenth day of the third month following the end of the taxable year (e.g., if a single annual distribution for a calendar year is made on Dec. 31, 2006, the withholding tax is due March 15, 2007). Advances or drawings against a shareholder's distributive share of income are deemed paid on the last day of the S corporation's tax year.

The S corporation shall be liable for a delinquent penalty of 20 percent for failure to withhold, effective beginning July 1, 1994) and interest in addition to the amount withheld or required to be withheld and paid to the Department. If a distribution to nonresident shareholders is made with property other than money, or a gain is realized without the payment of money, the corporation may not release the property or credit the gain until it has funds sufficient to enable it to pay the withholding tax due. If necessary, the corporation will obtain such funds from the shareholders.

**Note:** Compliance with the act of withholding will not relieve any non-Indiana domiciled shareholder from annual filing requirements (except individuals included in a composite return) or the payment of any unpaid tax, penalties and interest.

## How to Submit the Withholding Payment

**Form WH-1** - The periodic payment of amounts withheld from nonresident shareholders and corporate contractors should be included in the remittance with Form WH-1. This form is also used to remit amounts withheld on employees. Withholding agents assigned to an annual, quarterly, or monthly filing status will be mailed a voucher packet containing the employer's Withholding Tax Returns to be used for this purpose. Each return needs to be completed and mailed (postmarked) by its due date and should include the total amount withheld for that period. By law, the withholding return must be filed even when no withholding amount is due.

If the S corporation pays or credits amounts to its nonresident shareholders only one time each year, it may be permitted to file a designated nonresident withholding return to pay the withholding tax from income distributions made to the nonresident shareholders. The initial use of Form DB020W-NR (included in this booklet), filed with WH-18 copies, will result in the creation of a separate withholding account aside from any existing payroll withholding account. The payment due date on this type of account is automatically extended to the fifteenth day of the third month following the end of the S corporation's taxable year.

If payment is made for composite tax due on Form IT-20S and is filed past the due date of the withholding return, the S corporation will owe penalty and interest. Penalty charges may be avoided by timely paying withholding tax liabilities.

If you need to establish a withholding account with the Department, you should contact the Taxpayer Services Division at (317) 233-4016, or the Tax Forms Order Line at (317) 615-2581 to obtain Form BT-1, Business Tax Application, and withholding registration. Also see [www.in.gov/dor](http://www.in.gov/dor)

**Form WH-3** - An annual Withholding Tax Reconciliation Return, Form WH-3, must be completed by the withholding agent and filed by the end of February following the close of each calendar year. The Indiana Taxpayer Identification Number (TID), the S corporation's name, and the calendar year must be included. This form is used to reconcile the monthly, quarterly or annual WH-1 returns with the W-2 and WH-18 reports submitted with the WH-3. Although magnetic tape may be used to transmit W-2 information, paper copies of Form WH-18 must be attached to the WH-3 when it is submitted.

On Form WH-3, the withholding agent enters the total annual amount of state and county income taxes or other taxes withheld from employees and nonresidents receiving income subject to Indiana withholding as listed on federal Form W-2 and Indiana Form WH-18. The amount of county tax withheld during the year is separated according to the amounts withheld for each county. If the withholding



agent has overpaid the withholding liability for the year, he is entitled to a refund. Enter the amount to be refunded on Form WH-3 and provide an explanation.

If the withholding agent has underpaid the payroll or nonresident shareholder withholding liability for the year, do not submit the payment with Form WH-3; instead, complete Form WH-1U included with the WH-3 packet and submit the payment under separate cover. The Indiana taxpayer identification number and the period to which the payment should be applied must also be indicated. (Form DB020W-NR on page 27 is for use in making an initial payment of the withholding tax due on once-a-year income distributions to nonresident shareholders).

Specific instructions for completing Form WH-18 are found on the reverse side of that form. A supply of these forms is available from the Department upon request.

## How to Register as a Withholding Agent

An S corporation with any withholding liability as described above is required to register as an Indiana withholding agent. The Department assigns an Indiana taxpayer identification number (TID) consisting of a ten digit number exclusive to the taxpayer and a three digit number for the location being registered.

The S corporation has two options in registering as a withholding agent. The first option is to request and to file the Indiana Department of Revenue Business Tax Application, Form BT-1, for the corporation. Request Form BT-1 and Instructions for Withholding Registration by calling the Taxpayer Services at (317) 233-4016. It takes approximately two to three weeks to process an application that has been mailed to the Indiana Department of Revenue; however, any initial withholding payments can be remitted with the application. The BT-1 can be completed online at <https://secure.in.gov/apps/dor/bt1>

The second option is to visit either the downtown Indianapolis office of the Department or one of the district offices located throughout the state to be registered the same day.

## Shareholders' Liability and Filing Requirements

A shareholder's share of profit or loss from a S corporation will be included in the shareholder's calculation of federal adjusted gross income and is generally subject to the same rules for arriving at Indiana adjusted gross income. Therefore, a shareholder's distributive share, before any modifications required by Indiana statutes, is the same ratio and amount as determined under IRC Section 704 and its prescribed regulations. The shareholders will include their share of all S corporation income, whether distributed or undistributed, on their separate or individual Indiana income tax returns. Each shareholder's distributive share of income will be adjusted by modifications provided for in IC 6-3-1-3.5(a) or (b).

## Individual Shareholders

**Residents** - A resident shareholder reports the entire distributive share of S corporation income (loss) as adjusted, no matter where the S corporation's business is located or in which state(s) it does business. Form IT-40, Indiana Individual Income Tax Return, should be completed by the individual shareholders.

**Nonresidents** - Part and full-year nonresident shareholders report their share of S corporation income (loss) as adjusted, derived from or attributed to sources within Indiana as determined by the use of the apportionment formula described in IC 6-3-2-2(b). Whenever an S corporation has a nonresident shareholder and conducts business within and outside Indiana, the S Corporation must include the apportionment worksheet with Form IT-20S. Form IT-40PNR, Indiana Part-Year or Nonresident Individual Income Tax Return, should be completed by the shareholders. Credit must be claimed on that return by attaching state Form WH-18 for amounts withheld by the S corporation from the shareholder's distributive share of income. Nonresident shareholders are exempt from the filing requirements of an Indiana Individual Income Tax Return only if they are included as members of a composite return.

A part-year nonresident shareholder will be required to file Form IT-40PNR reporting the total amount of income (loss) received while residing in Indiana and that part of Indiana source income received while a nonresident. Apportioned Indiana income (loss), as modified, received by a nonresident of Indiana is also reported on Form IT-40PNR. Note: Passive losses may not exceed the limits imposed by IRC Section 469. Losses may not exceed the shareholder's investment. See IRC Section 704.

## Other Shareholders

Other shareholders that are trusts or estates will report their distributive shares of the S corporation income (loss) on Form IT-41. All distributions are fully taxable for income tax purposes. For adjusted gross income, taxable S corporation income will include pro rata Indiana modifications; however, losses may not exceed the limits imposed by IRC Sections 469 and 704.

Shareholders doing business both within and outside Indiana must also determine their taxable income from Indiana sources through the use of the allocation and apportionment provisions contained in IC 6-3-2-2(b)-(h). See the apportionment Schedule E for more information. Business income, including all S corporation income, apportioned to Indiana plus non-business income allocated to Indiana (plus modifications required by IC 6-3-1-3.5(a) for adjusted gross income tax) equals the taxpayer's net taxable income for Indiana tax purposes.

## Basis of Stock in an S Corporation

For Indiana income tax purposes, the basis of the shareholder's stock in an S corporation will generally be

the same as its basis for federal income tax purposes. Adjustments to income and loss under the Indiana Adjusted Gross Income Tax Act (for the add back of income taxes and the deduction from income for U.S. government obligations) are limited to current reporting but may also affect the shareholder's basis.

### Example - Indiana S Corporation Income for Individual Shareholders

Taxpayer A, a resident of Indiana, and Taxpayer B, a nonresident of Indiana, each have a 50 percent stock interest in XYZ, Inc., an Indiana S corporation doing business both within and outside of Indiana.

XYZ, Inc. has income from operations of \$530,000 and expenses of \$500,000. Of these expenses, \$35,000 is an expense for state income tax.

#### Computations for XYZ, Inc.:

XYZ, Inc. computes its adjusted S corporation income as follows:

Income from operations	\$530,000
Expenses	-500,000
Add back modifications	+35,000
S corporation income	\$65,000

Using the three factor apportionment formula under IC 6-3-2-2(b), XYZ, Inc. determines its apportionment percentage as follows:

Property factor	80.00%
Payroll factor	40.00%
Sales factor (double-weighted)	120.00%
	240.00%
Divide by factors present:	÷ 4
Indiana apportionment percentage	60.00%

#### Computations for Taxpayers A and B:

Taxpayer A, as a resident of Indiana, must report its own entire share of S corporation income to Indiana regardless of whether or not the S corporation apportions its income. As a general rule, if tax is paid to another state on a portion of S corporation income by Taxpayer A, a credit may be taken on the individual return.

Indiana adjusted S corporation income for Taxpayer A is computed as follows:

S corporation income	\$65,000
Distributive share (50% X \$65,000)	32,500
Indiana adjusted distributive share of income	\$32,500

Taxpayer B, as a nonresident of Indiana, reports only its own share of S corporation income apportioned to Indiana. As a general rule, if Taxpayer B is required to pay tax to another state on a portion of the income from XYZ, Inc., a credit cannot be taken on the Indiana return, but must be claimed from the state of residence.

Indiana adjusted S corporation income for Taxpayer B is computed as follows:

S corporation income	\$65,000
Distributive share (50% x 65,000)	\$32,500
Multiply by apportionment percentage	x 60%
Apportioned Indiana distributive share of income	\$19,500

### Accounting Periods and Methods

The accounting period for Form IT-20S and the method of accounting adopted must be the same as used for federal income tax purposes.

### Extended Filing Due Date

The initial due date for filing is the fifteenth day of the fourth month following the close of the S corporation's tax year. The Department normally recognizes the Internal Revenue Service application for automatic extension of time to file (Form 7004) and, if received, the electronic confirmation of the extension.

Do not file a separate copy of this form with the Department to request an Indiana extension. The federal extension form must be attached when the Indiana return is filed. Check box R1 on front of the IT-20S return. Also, enter your federal electronic confirmation number on the return. Returns postmarked within 30 days after the last date indicated on the extension form will be timely filed.

In the event a federal extension is not needed, an S corporation may request a separate Indiana extension of time to file by writing the Indiana Department of Revenue, Corporate Income Tax Section, Returns Processing Center, 100 N. Senate Ave., Indianapolis, IN 46204-2253.

Any payments made after the original due date must include penalty and interest. **Caution:** The filing due date for the S corporation return is different than the payment due date of income tax withholding and composite adjusted gross income tax on nonresident shareholders.

### Amended Returns

If the S corporation files an amended federal return and the change(s) affects the Indiana income or the taxable income reportable by the shareholders, both the S corporation and the shareholders must file amended Indiana returns within 120 days after the filing of the amended federal return.

An adjustment made by the Internal Revenue Service affecting the reportable Indiana income must be followed with an amended S corporation return within 120 days after the adjustment becomes final. Use Form IT-20S, and clearly mark "amended" at the top.

### Instructions for Completing Form IT-20S

Use Form IT-20S, revised 8-06, to file a 2006 corporation return for a tax year ending Dec. 31, 2006, a short tax year beginning and ending in 2006, or a fiscal year beginning in 2006 and ending in 2007. For a fiscal or short tax year, fill in both the beginning month, day, and ending month, day, and year at the top of the form.

## Identification Section

All S corporations filing Form IT-20S must complete the top portion of the form including areas K through T. Use the correct legal name of the S corporation and current mailing address. List the name of the county in Indiana where you have a primary business location. Place "O.O.S." in the county box for an address outside Indiana.

For name change, check box B1, located above your Federal ID Number. Attach to return copies of amended Articles of Incorporation filed with the Indiana Secretary of State.

Enter the nine digit Federal Identification Number (FIN) in the box at the right-hand corner of the return. Enter your principal business activity code number in the designated block of the return under the FIN. Use the six digit activity code as reported on the U.S. Income Tax Return for an S corporation. A link to a list of these codes is available through the Department's Internet address at: [www.in.gov/dor/business/forms.html](http://www.in.gov/dor/business/forms.html)

## Schedule A - S Corporation Adjusted Gross Income

**Line 1.** Enter the amount from the federal S Corporation Return Schedule K: net ordinary business income, net income from real estate activities from Form 8825, other rental income activities, portfolio income and deductions, royalties, capital gains and losses and other income. The Section 179 deduction and that portion of investment expenses included in federal Schedule K, part of line 12, and line 17 relating to investment portfolio (royalty) income, flowing through to federal Schedule E, may be tentatively deducted. Do not deduct other expenses treated as federal itemized deductions.

Use the Worksheet for S Corporation Distributive Share of Income, Deductions and Credits to assist in the calculation of this figure. You must use the income worksheet if the corporation received any distributive income from an owned partnership interest, estate or trust.

## Required Indiana State Modifications Lines 2a through 2e

**Line 2a** Add back all state taxes based on or measured by income levied by any state that were deducted on federal return.

**Line 2b** Add or subtract an amount attributable to bonus depreciation in excess of any regular depreciation that would be allowed had not an election under IRC Section 168(k) been made as applied to property in the year that it was placed into service. Taxpayers that own property for which additional first year special depreciation for qualified property (including 50 percent bonus depreciation) was allowed in the current taxable year or in an earlier taxable

year, must add or subtract an amount necessary to make their adjusted gross income equal to the amount computed without applying any bonus depreciation. The subsequent depreciation allowance is to be calculated on the state's stepped-up basis until the property is disposed.

Attach a statement explaining any adjustment.

### Example:

If IRC Section 179 deduction was elected on business equipment acquired during 2005 costing \$200,000, the capital expensing deduction was \$100,000 with a remaining basis of \$100,000. An additional 50 percent bonus depreciation of \$50,000 was elected, leaving a basis of \$50,000 for a 5-year Modified Accelerated Cost Recovery System (MACRS) property (half-year convention) depreciation deduction of 20 percent (\$10,000). Total amount of federal deduction was \$160,000.

For state purposes, the bonus depreciation of \$50,000, was not allowed, and must be added back on line 2b. The IRC Section 179 deduction was capped at \$25,000, the \$75,000 excess amount must be added back on line 2c. These adjustments result in a stepped-up basis of \$175,000 for the state return on which to figure allowable first-year MACRS property depreciation deduction of 20 percent (\$35,000) for 2005. This was a total state deduction of \$25,000 more than already deducted under the General Depreciation System (GDS). The additional depreciation may be excluded in subsequent years from the amounts to be added back on line 2b, or 2c when excess IRC Section 179 deduction or bonus depreciation was elected.

Commissioner's Directive 19 explains this initial required modification on the allowance of depreciation for state tax purposes.

**Line 2c** Enter any IRC Section 179 adjustment claimed for federal tax purposes that exceeds the amount that is recognized for state tax purposes.

Indiana adopted the former expensing limit provided by The Jobs Creation and Workers Assistance Act of 2002 and has since specified an expensing cap of \$25,000. This modification affects the basis of the property if a higher Section 179 limit was applied. The increase to \$100,000 deduction and a beginning \$400,000 phase-out limitation was not allowed for purposes of calculating Indiana adjusted gross income. The depreciation allowances in the year of purchase and in later years must be adjusted to reflect the additional first-year depreciation deduction, including the special depreciation allowance for 50 percent bonus depreciation property, until the property is sold.

Add or subtract the amount necessary to make the adjusted gross income of the taxpayer that placed any



IRC Section 179 property in service in the current taxable year or in an earlier taxable year equal to the amount of adjusted gross income that would have been computed had an election not been made for the year in which the property was placed in service to take deductions (as defined in IRC Section 179) in a total amount exceeding \$25,000.

**Note:** If net amount determined for line 2b or 2c is a negative figure, because of a higher depreciation basis in subsequent years, enter the amount in <brackets>. (If taxable income is a loss, this adjustment when added back increases a loss).

Attach a statement to explain your adjustment.

**Line 2d** Deduct interest income, less related expenses, from certain obligations of the United States government included as income on the federal return. Request Income Tax Information Bulletin 19 for a listing of eligible items.

**Line 2e** Deduct Indiana lottery prize money - A portion of prize money received from the purchase of a winning Indiana lottery game or ticket included in federal taxable income should be excluded. Beginning after June 30, 2002, the proceeds of up to \$1,200 are deductible from each winning lottery game or ticket paid through the Hoosier State Lottery Commission. Explain deduction on an attached statement.

**Note:** Entries made on federal Form 8825 should also be considered when completing entries on line 2.

**Line 3.** Enter total Indiana modifications (add the resulting amounts on lines 2a through 2c; subtract lines 2d and 2e).

**Line 4.** Add lines 1 and 3.

**Line 5.** Enter on line 5 the Indiana apportionment percentage if the corporation has any multi-state business activities. Under the Adjusted Gross Income Tax Act, taxable income from a trade or business carried on within and outside Indiana is computed using a three-factor formula consisting of property, payroll and double weighted sales factor. Generally, apportioned income is determined by taking the total percentage of the three factors and dividing by four. The resulting apportionment percentage will determine the Indiana net income of the nonresident individual shareholders, trusts and estates that pass-through as a result of the S corporation's activities everywhere. See IT-20S Schedule E instructions beginning on page 20.

*Before continuing to lines 6 through 24, complete IT-20S Schedule IN K-1 on the reverse side of the form for each shareholder.*

## IT-20S Schedule IN K-1 Shareholder's Share of Indiana Adjusted Gross Income, Deductions, Modifications and Credits

Attach each shareholder's IN K-1 to Form IT-20S and provide a completed copy of Schedule IN K-1 to each shareholder.

**Note:** Contact the Department for alternative filing options for IT-20S Schedule IN K-1 at (317) 615-2662. For information on the acceptable electronic data file format visit the Department's Web site at [www.in.gov/dor/electronic/](http://www.in.gov/dor/electronic/)

### Part 1 - Shareholder's Identification Section

Complete IT-20S IN K-1 to identify each shareholder.

- (a) Enter the name of shareholder, if an individual, and Social Security number.
- (b) Enter other entity name if shareholder is an other entity or fiduciary and Federal Identification number.
- (c) Enter shareholder's state of residence or commercial domicile.
- (d) Enter the amount of tax withheld on income distributions derived from Indiana sources for any nonresident shareholder for the taxable year. A WH-18, Indiana Miscellaneous Withholding Tax Statement for Nonresidents, must be prepared for the nonresident shareholder. Do not include any penalty or interest paid on delinquent withholding tax. If no withholding tax was paid or if additional withholding tax is due, see instructions for filing Form DB020W-NR. Credit for any amount withheld is to be claimed on the shareholder's Indiana individual, composite, or fiduciary income tax return.
- (e) Enter the applicable pro rata percentage of shareholder's interest in the S corporation. The percentage should be adjusted to an annual rate if necessary.

### Part 2 - Distributive Share Amount

Complete lines 1 through 15 for the shareholder. Also provide the shareholder with a statement showing the shareholder's distributive share of income, credits and modifications.

**Line 1 through Line 12B.** For full-year Indiana resident shareholders, complete these lines as shown on the federal Schedule K-1, Form 1120S.

For most nonresident shareholders, the federal Schedule K-1 amounts should be multiplied by the Indiana apportionment percentage calculated on the IT-20S Schedule E. See instructions beginning on page 20. The apportioned figures should be entered on lines 1 through 12B.

Investment interest expenses attributed to royalty income and all other federal deductions (excluding those treated



as itemized deductions) should be included on lines 12A or 12B. No other type of investment interest expense, itemized deduction, or carryover loss should be reported on this line. Note: If the corporation has received any distributions from other entities having income previously apportioned to Indiana, use the following methodology to report distributive share income for IT-20S IN K-1.

**Alternative Completion of IT-20S Schedule IN K-1 Information** - An alternative application of IT-20S Schedule IN K-1 must be used if a shareholder is a nonresident individual, fiduciary or trust and the corporation had income from outside Indiana. Use the following method for completion of Schedule IN K-1 when the corporation had any apportioned income from outside Indiana or is otherwise required to complete the Indiana apportionment schedule:

Modify each required Schedule IN K-1 line entry by recalculating the pro rata share of total S corporation income with required Indiana modifications to adjusted gross income reported on line 1 of Form IT-20S. Use pro rata amount from line 13A, **Worksheet for S Corporation Distributive Share Income, Deductions and Credits** (worksheet) by applying these steps:

**Step 1.** Deduct from the above pro rata share the respective pro rata amount of line 13B and line 14B of the Worksheet.

**Step 2.** Multiply the result by the Indiana apportionment percent reported on line 5 of Form IT-20S, from Schedule E, line 4c, if present. This amount should reflect the shareholder's proportionate share of this S corporation's activity in Indiana.

**Step 3.** Add to the above amount the pro rata share of any other (entity) source income received by the corporation that was previously apportioned, or allocated as distributive share income derived from Indiana (line 15C of the Worksheet). The result is the modified Indiana S corporation income from Indiana sources to be reported on the appropriate lines of Schedule IN K-1 of nonresident individuals, trust and estates for adjusted gross income purposes.

**Line 14.** Enter the Indiana modifications from the front of Form IT-20S, lines 2a-2e, as percentage applied, or apportioned in the case of nonresident individuals. List the pro rata share amount of each modification.

**Line 15.** If the corporation has available any eligible Indiana credits flowing through to the shareholders, enter the name of the credit, the three-digit code number and the pro rata amount of credit(s) allotted to each shareholder. You must also attach a completed credit schedule to Form IT-20S to support the credit distribution.

See the descriptive list of pass-through tax credits that may be available to a pass-through entity beginning on page

22. Each credit is assigned a three-digit code number for identification purposes to be used when reporting and claiming these credits. For further information request Income Tax Information Bulletin 59.

## Form IT-20S Schedule B

### Tax on Excess Net Passive Income and Built-in Gains

To the extent that the S corporation's excess net passive income and built-in capital gains are subject to income tax under the Internal Revenue Code, the Indiana adjusted gross income tax is imposed upon such income of the corporation derived from Indiana sources. Use the following guidelines to calculate the corporation's tax liability. Quarterly estimated tax payments are required if the Indiana tax liability exceeds \$1,000. All references are from the federal forms. Use updated versions where applicable.

**Line 6.** Enter the excess net passive income or LIFO recapture tax reported on federal Form 1120, line 22a.

**Line 7.** Enter the tax from federal Schedule D reported on Form 1120S, line 22b.

**Line 8.** Enter the lesser amount of excess net passive income from line 8, or taxable income from line 9, as calculated on the federal excess net passive income tax worksheet. Use the appropriate line from the latest federal update. Attach the worksheet to the return.

**Line 9.** Enter net amount: Line 16 from federal Schedule D, Part III reduced by the portion of Section 1374 (b)(2) deduction, if any, from line 17 that is attributable to Indiana. If zero or less, enter zero (0) on Line 9. Use the appropriate lines from the latest federal update. Attach Schedule D (1120S) to the return.

**Line 11.** If the taxable amounts on line 10 are not or cannot be wholly allocated to Indiana, use the apportionment percentage from line 5 to attribute the business income to Indiana. Attach the IT-20S Schedule E, Apportionment of Income for Indiana to the return. Multiply the amount on line 10 by the Indiana apportionment percentage on line 5. If apportionment of income is not applicable, enter the total amount from line 10.

**Line 13.** Multiply the amount on line 11 by the corporate adjusted gross income tax rate of 8.5 percent, if not otherwise qualified for a reduced rate of tax.

Effective Jan. 1, 2005, qualified taxable income derived from a designated Indiana Military Base Enhancement Area (MBEA) is subject to tax at the rate of 5 percent. This tax rate is applicable to businesses that locate new operations in a completely or partially inactive or closed military base during the taxable year and the next succeeding four taxable years.

If you qualify as an MBEA taxpayer under IC 6-3-2-1.5, complete and attach copy of Schedule M, Alternate Adjusted Gross Income Tax Calculation and check question box P5 (Schedule M) on front of form IT-20S. This form is available in the current Indiana Corporate Income Tax Booklet. Obtain the booklet by visiting the Department's Web site at: [www.in.gov/dor/taxforms/corp05.html](http://www.in.gov/dor/taxforms/corp05.html). Enter on line 13 your total computed adjusted gross income tax based on taxable income reported on line 11 of Schedule B.

If tax exceeds \$1,000, attach completed Indiana Schedule IT-2220 to compute any underpayment of estimated tax penalty or to show an exception to the penalty.

## Summary of Calculations

### Sales/Use Tax Worksheet

IC 6-2.5-3-2 imposes a use tax at the rate of six percent upon the use, storage or consumption of tangible personal property in Indiana that was purchased or rented in a retail transaction, wherever located, and sales tax was not paid.

Examples of taxable items include magazine subscriptions, office supplies, electronic components and rental equipment. Also, any property purchased free of tax by use of an exemption certificate or from out-of-state, and converted to a nonexempt use by the business will be subject to the use tax. Complete the Sales/Use Tax Worksheet on page 27 to compute any sales/use tax liability. For further information regarding use tax, call (317) 233-4015. Note: If you are a registered retail sales or out-of-state use tax agent for Indiana you must report your nonexempt purchases used in your Indiana business on Form ST-103, Indiana annual, quarterly or monthly Sales and Use Tax Voucher.

Interest is added if the use tax was not timely paid by the original due date of the return. A 10 percent penalty or \$5, whichever is greater, is charged on each unpaid use tax liability. Caution: Do not report your totals from Form ST-103 on this worksheet or on Form IT-20S.

**Line 14.** Enter the use tax due from the completed Sales/Use Tax worksheet.

**Line 15.** Enter the total tax liability of the nonresident members included in the Composite Adjusted Gross Income Tax Return, columns D and E. Attach composite Schedule IT-20COMP.

**Line 16.** Total tax: Add the tax shown on lines 13, 14 and 15.

**Line 17.** Enter the total credits for all nonresident members included in the composite return as reflected on Schedule IT-20COMP, column F and other credits, column G. (Attach a copy C of Form WH-18 for each composite member.) Do not take any credit for individual or separate

estimated tax payments made by the shareholders.

**Line 18.** Enter any other payments/credits belonging to the corporation. This may be estimated payments for passive income and built-in gains tax or Economic Development for a Growing Economy (EDGE) job retention credit that was not otherwise passed-through to the shareholders. For EDGE credit information, see page 24.

A detailed explanation must be attached for any credits claimed on this line.

**Line 19.** Subtotal: Subtract lines 17 and 18 from line 16. If a balance due remains, proceed to lines 20, 21 and 22.

**Line 20.** Enter total interest due.

Caution: Two separate calculations of interest and penalty may be required:

1. Interest is computed on the net amount of composite tax, on line 19, paid after the fifteenth day of the third month following the end of the corporation's taxable year. Interest is calculated from the day following the due date for payment of composite tax to the actual date the balance is paid with the IT-20S return.
2. Interest on use tax and Schedule B tax is calculated on the remaining amount of tax on line 19 that is paid after the original due date of the IT-20S return.

Contact the Department for the current rate of interest charged.

**Line 21.** Enter total penalty due. Penalty is 10 percent of the amount (but not less than \$5) of any composite tax due on line 19 paid after the fifteenth day of the third month following the end of the corporation's taxable year. If a composite tax is due because of failure to withhold on income distributions to nonresident shareholders, a penalty of 20 percent will be added. (See *caution* on line 20 above.) Penalty, which equals the greater of: 10 percent of the amount of use tax and Schedule B tax on line 19, or \$5, is still due on those taxes paid after the original due date of the return.

If a return showing no liability on line 22 is filed late, penalty for failure to file by the due date will be \$10 per day the return is past due, up to a maximum of \$250. If tax on line 19 exceeds \$1000, add any underpayment of estimated tax penalty computed on Schedule IT-2220 or attach completed schedule to show exception to this penalty.

There is also a separate \$10 penalty assessed on each IT-20S Schedule IN K-1 information return that is late.



Indiana Department of Revenue  
**Indiana S Corporation Income Tax Return**  
Calendar Year Ending December 31, 2006

or Other Tax Year Beginning AA /      / 2006 and Ending BB /      /     

(Do not write above)

**Form IT-20S**

State Form 10814 (R5/8-06)

Check box if name changed.

B1 ☐

Name of Corporation B		Federal Identification Number A	
Number and Street C		Indiana County or O.O.S. D	Principal Business Activity Code H
City E	State F	ZIP Code G	Telephone Number I (      )

- K. Date of incorporation 1 in the State of 2 ☐ Check all that apply to entity: ☐ Initial Return ☐ Final Return ☐ In Bankruptcy ☐ Composite Return ☐ Schedule M
- L. State of commercial domicile      ☐ Number of Indiana nonresident shareholders
- M. Year of initial Indiana return      ☐ Indicate if a federal extension of time to file return was filed. ☐ Yes ☐ No
- N. Accounting method: ☐ Cash ☐ Accrual ☐ Other      Enter federal electronic confirmation number: 3 and attach your extension form to the return.
- O. Date of election as S corporation      ☐ Did the corporation file as a C corporation for the prior tax period? ☐ Yes ☐ No
- ☐ Is this corporation a member of any partnerships? ☐ Yes ☐ No

**Schedule A - S Corporation Adjusted Gross Income** (See worksheet)

1. Total net income (loss) from U.S. S corporation return, Form 1120S Schedule K, lines 1 through line 10, less line 11 and a portion of line 12 related to investment income (see instructions) .....	1		
2. Add backs: a) All state income taxes deducted on the federal return .....	2a		
b) Net bonus depreciation allowance .....	2b		
c) Excess IRC Section 179 deduction .....	2c		
Deduct: d) Interest on U.S. government obligations .....	2d		
Deduct: e) Indiana lottery prize money .....	2e		
3. Total state modifications (add lines 2a through 2c, subtract lines 2d and 2e) .....	3		
4. Total S corporation income, as adjusted (add lines 1 and 3) .....	4		
5. Enter average percentage for Indiana apportioned adjusted gross income from IT-20S Schedule E line (4c) if completed	5		%

**Schedule B - Excess Net Passive Income & Built-In Gains**

6. Excess net passive income or LIFO recapture tax as reported on federal Form 1120S, line 22 a .....	6		
7. Tax from federal Schedule D as reported on federal Form 1120S, line 22 b .....	7		
8. Excess net passive income from federal worksheet .....	8		
9. Built-in gains from federal Schedule D (1120S) .....	9		
10. Add the amounts on lines 8 and 9 .....	10		
11. Taxable income apportioned to Indiana (multiply line 10 by line 5) (if applicable) .....	11		
12. Corporate adjusted gross income tax rate (*see instructions for line 13).....	12	X .085*	
13. Total income tax from Schedule B (multiply line 11 by percent on line 12 or enter amount from Schedule M).....	13		

**2006  
IT-20S**

**Summary of Calculations**

14. Sales/use tax on purchases subject to use tax from Sales/Use Tax Worksheet .....	14		
15. Total composite tax from completed Schedule IT-20COMP (D&E). Attach Schedule .....	15		
16. Total tax (add lines 13, 14, and 15) <b>Caution:</b> If line 16 is zero, see line 21 late file penalty .....	16		
17. Total composite tax return credits (attach schedule and WH-18 statement(s) for composite members) .....	17		
18. Other payments/credits belonging to the corporation (attach documentation) .....	18		
19. Subtotal (line 16 minus lines 17 and 18). If total is greater than zero, proceed to lines 20, 21, and 22 .....	19		
20. Interest: Enter total interest due; see instructions. (Contact the Department for current interest rate) .....	20		
21. Penalty: If paying late enter 10% of line 19, see instructions. If line 16 is zero, enter \$10 per day filed past due date .....	21		
22. Total Amount Due: Add lines 19 - 21. If less than zero, enter on line 23. Make check payable to: <b>Indiana Department of Revenue</b> .....	22		
23. Overpayment: Line 17 plus line 18, minus lines 16, 20 and 21 .....	23		
24. Refund: Amount from line 23 to be refunded. Enter as a positive figure .....	24		

Make Payment in U.S. Funds  
(Do not write below)

30	
DD	

**Certification of Signatures and Authorization Section**

I authorize the Department to discuss my return with my tax preparer. ☒ Yes ☐ No

Under penalties of perjury, I declare I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct and complete.

Signature of Corporate Officer		Date	Preparer's e-mail address	EE
Print or Type Name of Corporate Officer		LL	Title	
Print or Type Paid Preparer's Name		FF	Preparer's FID, SSN, or PTIN Number Check Box: <input type="checkbox"/> Federal I.D. Number <input type="checkbox"/> Social Security Number <input type="checkbox"/> PTIN Number	
Street Address		GG	Daytime Telephone Number of Preparer	
City	State	ZIP+4	Preparer's Signature	
HH	II	JJ	VN	

Please mail to: **Indiana Department of Revenue, 100 N. Senate Ave., Indianapolis, IN 46204-2253.**

**15.**    **Pro rata share of Indiana pass-through tax credits from corporation** - Enter the name of the tax credit program, its three-digit ID code, and dollar amount of the shareholder's distributive share for each allowable credit."

Name of credit:

a _____	Code No. b ____ _	<b>15c</b>	<input type="text"/> <input type="text"/> <input type="text"/> , <input type="text"/> <input type="text"/> <input type="text"/> , <input type="text"/> <input type="text"/> <input type="text"/> .00
d _____	Code No. e ____ _	<b>15f</b>	<input type="text"/> <input type="text"/> <input type="text"/> , <input type="text"/> <input type="text"/> <input type="text"/> , <input type="text"/> <input type="text"/> <input type="text"/> .00
g _____	Code No. h ____ _	<b>15i</b>	<input type="text"/> <input type="text"/> <input type="text"/> , <input type="text"/> <input type="text"/> <input type="text"/> , <input type="text"/> <input type="text"/> <input type="text"/> .00



Name of Corporation <b>B</b>						Federal Identification Number <b>A</b>					
The following information must be submitted by all corporations having income from sources both within and outside Indiana. (Interstate transportation entities must use Schedule E-7). Omit Cents. Round to two decimals for Column C.											
<b>Part I - Apportionment of Adjusted Gross Income</b>											
<b>1. Property Factor</b> - Average value of owned property from the beginning and the end of the tax year. (Value of real and tangible personal property at original cost).  (a) Property reported on federal return (average value for tax year) ..... (b) Fully depreciated assets still in use at cost (average value for tax year) ..... (c) Inventories, including work in progress (average value for tax year) ..... (d) Other tangible personal property (average value for tax year) ..... (e) Rented property (8 times the annual net rental) ..... <b>Total Property Values:</b> Add lines 1(a) through 1(e) .....											
				<b>Column A Total Within Indiana</b>		<b>Column B Total Within and Outside Indiana</b>		<b>Column C Indiana Percentage</b>			
				<b>1A</b>		<b>1B</b>		<b>1C</b> _ _ . _ _ %			
<b>2. Payroll Factor</b> - Wages, salaries, commissions, and other compensation of employees included in the return. If the amount reported in column A does not agree with the total compensation reported for unemployment insurance purposes, attach a detailed explanation.  <b>Total Payroll Value:</b> .....											
				<b>2A</b>		<b>2B</b>		<b>2C</b> _ _ . _ _ %			
<b>3. Receipts Factor</b> (less returns and allowances) - Include all non-exempt apportioned gross business income. Do not use non-unitary partnership income or previously apportioned income that must be separately reported as allocated income.  Sales delivered or shipped to Indiana: (a) Shipped from within Indiana ..... (b) Shipped from outside Indiana .....  Sales shipped from Indiana to: (c) The United States government ..... (d) Purchasers in a state where the taxpayer is not subject to income tax (under P.L. 86-272) ..... (e) Interest income and other receipts from extending credit attributed to Indiana ..... (f) Other gross business receipts not previously apportioned ..... <b>Total Receipts:</b> Add column A lines 3 (a) through 3 (f) and enter in line 3A; enter all receipts in line 3B, column B .....											
				<b>3A</b>		<b>3B</b>					
<b>4. Summary - Apportionment of Income for Indiana</b>  (a) <b>Receipts Percentage</b> for factor 3 above: Divide 3A by 3B, enter result here: 4(a)l _ _ . _ _ % <b>X 200% (2.0) double-weighted adjustment</b> . (b) <b>Total Percents:</b> Add percentages entered in lines 1C, 2C and 4a of column C. Enter sum ..... (c) <b>Indiana Apportionment Percentage:</b> Divide line 4b by 4 if all three factors are present (enter here and carry to line 5 on Form IT-20S).....											
				<b>4a</b>		<b>4b</b>		<b>4c</b> _ _ . _ _ %			
NOTE: If either property or payroll factor for column B is absent, divide line 4b by 3. If the receipts factor (3B) is absent, you must divide line 4b by 2. See instructions on page 21.											
<b>Part II - Business/Other Income Questionnaire</b>											
1. List all business locations where the corporation has operations/partnership interests and indicate type of activities. This section must be completed - attach additional sheets listing business activities and locations in other states.											
(a) Location City and State		(b) Nature of Business Activity at Location		(c) Accepts Orders? Yes No		(d) Registered to do Business? Yes No		(e) Files Returns in State? Yes No		Property in State (f) Leased? (g) Owned? Yes No Yes No	
2. Briefly describe the nature of Indiana business activities, including the exact title and principal business activity of any partnership in which the corporation has an interest: ..... .....											
3. Indicate each partnership in which you have a unitary or general partnership relationship:- ..... .....											
4. Briefly describe the nature of activities of sales personnel operating and soliciting business in Indiana: ..... .....											
5. Do Indiana receipts for line 3A include all sales shipped from Indiana to (1) the U.S. government; or (2) locations where the corporation's only activity in the state of purchaser consists of the mere solicitation of orders? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No If no, please explain: (a) .....											
6. List here source of any directly allocated income from partnerships, estates and trusts not in corporation's apportioned tax base: ..... .....											

## Worksheet for S Corporation Distributive Share Income, Deductions and Credits

Use this worksheet to compute the entry for line 1 of Form IT-20S and to assist in computing amounts reportable on or for IT-20S Schedule IN K-1. Enter the total distributive share of income from each item reportable on Form 1120S, Schedule K. Do not complete column B and C entry lines unless the corporation received distributive share or tiered income from other entities.

Distributive Share Amounts:	A. S Corporation Income All Sources	B. Distributions from Partnerships/ Estates/Trusts	C. Distributions Attributed to Indiana
<b>S Corporation's Distributive Share of Items</b>			
1. Ordinary business income (loss) .....		Enter below for line 13B total distributive share income received by the corporation from all non-unitary partnerships, estates and trusts. Enter for line 14B an amount equal to required state modifications for Indiana Adjusted Gross Income. (See page 7 for instructions.)	Enter below for line 13C total distributive share income received by the corporation from partnerships, estates and trusts that were derived from or allocated to Indiana. Enter on line 14C an amount equal to the Indiana modifications for Adjusted Gross Income attributed to Indiana.
2. Net rental real estate income (loss) .....			
3. Other net rental income (loss) .....			
4. Interest income .....			
5a. Ordinary dividends .....			
6. Royalties .....			
7. Net short-term capital gain (loss) .....			
8. Net long-term capital gain (loss) .....			
9. Net IRC Section 1231 gain (loss) .....			
10. Other income (loss) .....			
<b>Less allowable deductions for state tax purposes:</b>			
11. IRC Section 179 expense deduction .....			
12A. Portion of expenses related to investment portfolio income, including investment interest expense and other (federal non-itemized) deductions .....			
12B. Other information from line 17 of federal K-1 related to investment interest and expenses not listed elsewhere .....			
13. <b>Carry total on line 13A to Form IT-20S line 1, on front page of return</b> .....	13A	↓	↓
14. Total of Indiana state modifications to distributive share income (see line 2, Form IT-20S) .....		13B	13 C
15. Net Indiana adjusted gross income distributions from partnerships, estates and trusts (add lines 13C and 14C) .....		14B	14 C
16. Enter amount of Indiana pass-through credits attributed from partnerships, estates and trusts, if any .....			15 C
			16 C

### Sales/Use Tax Worksheet for Line 14, Form IT-20S

List all purchases made during 2006 from out-of-state companies.

Column A	Column B	Column C
Description of tangible personal property purchased from out-of-state	Date of Purchase(s)	Purchase Price
Magazine subscriptions:		
Mail order purchases:		
Internet purchases:		
Other purchases:		
1. Total purchase price of property subject to the sales/use tax .....	1	
2. Sales/use tax: Multiply line 1 by .06 .....	2	
3. Sales tax previously paid on the above items (up to 6% per item) plus other tax credits that offset use tax, attach explanation .....	3	
4. Total amount due: Subtract line 3 from line 2. Carry to Form IT-20S, line 14. If the amount is negative, enter zero and put no entry on line 14 of the IT-20S .....	4	

## Schedule IT-20COMP

State Form 49188  
(R5/8-06)

## Indiana Department of Revenue

Name of Corporation

B

Federal Identification Number

A

**Shareholders' Composite Indiana Adjusted Gross Income Tax Return**

S Corporation's Tax Year 2006 or Fiscal Year Beginning AA\_\_\_\_/\_\_\_\_/2006 and Ending BB\_\_\_\_/\_\_\_\_/\_\_\_\_

See instructions on page 19. Attach to Form IT-20S (use additional sheets if necessary).

**PART I** - List name, Social Security number and address of each nonresident shareholder **not** included in composite return. (Attach additional sheets if necessary.)

(a) Name	(b) SS Number	(c) Street	(d) City	(e) State	(f) Zip Code
1.					
2.					
3.					
4.					
5.					
6.					
7.					
8.					

**PART II** - List name, distributive amount, composite tax and credits for each composite return member. **(Omit Cents)**

(a) Name	Enter pro rata share		Composite Adjusted Gross Income Tax			Credits	
	A	B	C	D	E	F	G
	Apportioned distributive income attributed to Indiana from IN K-1, line 13	Indiana modifications from IN K-1, line 14	Adjusted gross income Add A + B	State tax multiply C x 3.4% (cannot be less than zero)	County tax multiply C by nonresident county tax rate (if applicable)	Enter shareholder's withholding credit as shown on Form WH-18	Enter pro rata credits from IN K-1, line 15 (may not exceed D)
1.							
2.							
3.							
4.							
5.							
6.							
7.							
8.							
9.							
10.							
11.							
12.							
13.							
14.							
15.							
16.							
17.							
18.							
19.							
20.							
Carryover totals from additional sheets: .....							
Subtotals for columns D, E, F and G .....							
Add above total taxes and total credits .....							
Carry total tax and credits to Summary of Calculations .....							
			Tax: Add D and E ➤			Credit: Add F and G ➤	
			Enter total tax on Form IT-20S, line 15.			Enter total credit on Form IT-20S, line 17.	

Attach WH-18, copy C  
for each nonresident  
composite  
shareholder.

**Line 22.** Amount due: If line 19 is greater than zero, **add** lines 19, 20, and 21, and attach a separate remittance for total amount owed for each Form IT-20S filed. Payment to the Department of Revenue must be made in U.S. funds.

**Line 23.** Overpayment: If the total of lines 17 and 18 exceeds line 16, subtract lines 20 and 21 from line 19. If the result is less than zero, this is your net overpayment. Note: If penalties and interest are due because of delinquent filing or payment, the overpayment must be reduced by these charges. If the result is a balance due, enter the difference on line 22.

**Line 24.** Enter the amount from line 23 to be refunded.

## Certification of Signatures and Authorization Section

Be sure to sign, date, and print your name on the return. If a paid preparer completes the return, you may authorize the Department to discuss your tax return with the preparer by checking the [yes] Authorization Box above the signature line.

Please mail completed returns with a filled-in 2-D bar code to:

**Indiana Department of Revenue  
P.O. Box 7231  
Indianapolis, IN 46207-7231**

All other prepared returns must be mailed to:

**Indiana Department of Revenue  
100 N. Senate Ave.  
Indianapolis, IN 46204-2253**

### For Other Indiana Department of Revenue Forms:

**Internet Address - [www.in.gov/dor/](http://www.in.gov/dor/)**

Our homepage provides access to forms, information bulletins and directives, tax publications, e-mail, and various filing options.

**Tax Forms Order Line - (317) 615-2581**

## Filing Procedure for IT-20COMP Composite Return

An S corporation may file a composite Indiana adjusted gross income tax return on behalf of qualifying Indiana nonresident individual shareholders. Nonresident shareholders properly electing to participate in the composite return will be relieved of the obligation to file an Indiana individual adjusted gross income tax return.

The composite return, Schedule IT-20COMP, shall be filed with and have the same due date as the S corporation return. If the Internal Revenue Service allows the S corporation an extension to file its income tax return, the

due date for its Indiana return is automatically extended for the same period, plus 30 days.

Composite income means each nonresident shareholder's distributive share of income derived from sources within Indiana as determined by the use of the apportionment formula described in IC 6-3-2-2(b) plus Indiana modifications.

Composite filing does not negate the S corporation's requirement to file on a monthly, quarterly or annual basis Form WH-1 (Employer's Withholding Tax Return), used for submitting withholding tax payments for all nonresident shareholders along with any withholding for employees. However, withholding is not required on residents of reverse credit states (Arizona, California, Oregon, Washington D.C.) except when a California resident is included on the Indiana composite return.

The amount of tax withheld on shareholders is shown as a credit on Form WH-18, (Indiana Miscellaneous Withholding Tax Statement for Nonresident). Copy A of Form WH-18 must be filed with the Department of Revenue together with Form WH-3, Annual Withholding Reconciliation, on or before the last day of February.

## Filing Requirements for Composite Return

The shareholder electing to be included in the composite return authorizes the S corporation to file on his or her behalf. This election, once made, is irrevocable for that tax year.

However, any shareholder within the following categories must, in all cases, be excluded from the composite return:

(a) Any partnership or fiduciary; (b) Any shareholder who received a distribution(s) during the year in excess of his or her distributive share of net income from the S corporation; (c) Any shareholder who sold any portion of his or her interest in the corporation during the year; (d) Any shareholder receiving income during the year from an Indiana source other than the corporation; and (e) Any shareholder who for a portion of the year was a resident of Indiana.

The following limitations and conditions will apply to each shareholder included as a member in the composite return:

(a) Any short term capital gain (loss) plus any long term capital gain (loss) specifically allocated for a shareholder is allowed, subject to any "passive activity" loss limitations pursuant to IRC Section 469 and capital loss limitations imposed on non-corporate taxpayers by IRC Section 1211; (b) No deduction is permitted for interest paid on investment indebtedness under IRC Section 163(d) (limitation on interest investment indebtedness); (c) No deduction is permitted for carryover of net operating losses or capital losses; (d) No personal exemption is permitted; (e) No deduction is allowed for charitable contributions allowed or allowable pursuant to IRC Section 170; (f) No credit is permitted for taxes paid to other states; (g) No credit carryovers are permitted; and (h) All other credits



which flow through to shareholders on a pro rata basis are limited to the shareholder's state income tax liability. See list of Pass-through Tax Credits on pages 22 to 26.

The S corporation filing a composite return is liable not only for the tax shown on the return but also for any additional tax, interest, and penalty as a result of a subsequent audit or examination. Any refund of state or county tax as a result of filing a composite return shall be remitted directly to the S corporation.

The S corporation should send a copy of general Indiana filing requirements to each nonresident shareholder. The S corporation must determine shareholders electing to be included in the composite return and shareholders not electing to be included. See Income Tax Information Bulletin 72 for more information.

## Instructions for Completing Composite Return

**PART I** -The S corporation must disclose the name and complete address of its nonresident shareholders who are excluded from this composite return. These shareholders are required to file separate Indiana income tax returns.

**PART II** - Indicate the name of each shareholder electing to be a member included in this composite return. Subject to the limitations and conditions specified in the filing requirements, separately compute the state tax liabilities and credits on the composite return attributable to each shareholder.

**Column E.** If a nonresident individual is engaged in principal work activity in an adopting county on January 1, the county tax should be calculated. Multiply column C by the applicable nonresident county tax rate. Use Departmental Notice #1 to determine if a composite member is subject to a county tax and use the county income tax chart in Form IT-40PNR to verify the county's tax rate. The Indiana individual forms are available at <http://www.in.gov/dor/taxforms>

**Column G.** The amount of pro rata pass-through credit available to each composite member is limited to the respective amount of tax calculated in column D. Insert only the total state and county liabilities and pass-through credits of those nonresident shareholders included in the composite return to the appropriate lines on Form IT-20S.

**Note:** A federal Schedule K-1 for each shareholder is not required to be attached but must be made available for inspection upon request by the Department.

**If you have any questions you may call the Corporate Income Tax Section at (317) 615-2662.**

## Instructions for IT-20S Schedule E Apportionment of Income for Indiana

Complete the apportionment of income schedule whenever the corporation has income derived from sources both within and outside Indiana and has any nonresident shareholders. The income attributed to Indiana must be determined by a three-factor apportionment formula. The Department will not accept returns filed for adjusted gross income tax purposes on the separate accounting method. This apportionment formula must be used unless written permission from the Department is granted.

**Note:** *Interstate transportation corporations should consult Schedule E-7 for details concerning apportionment of income. Obtain this schedule at [www.in.gov/dor/taxforms](http://www.in.gov/dor/taxforms)*

## Part I - Apportionment of Adjusted Gross Income

**1. Property Factor:** The property factor is a fraction. The numerator is the average value during the tax year of real and tangible personal property used within Indiana, plus the value of rented property, and the denominator is the average value during the tax year of such property everywhere.

The average value of property shall be determined by averaging the values of the beginning and the end of the tax period. (Beginning value plus ending value divided by 2 = "average value.") If the values have fluctuated, the averaging of monthly values may be necessary to reflect the average value of the property for the tax period. If, in the calculation of the property factor, the average values of properties are composed of a combination of values, attach a schedule showing how these average values were calculated. For example, the use of original cost for owned properties plus the value of rental or leased facilities based upon a capitalization of rents paid, which cannot be checked against the balance sheet or the profit and loss statement, must be supported. Property owned by the taxpayer is valued at its original cost. Property rented by the taxpayer is valued at eight times the net annual rental rate.

### Total Property Values

*Complete appropriate lines for both within Indiana and everywhere. Add lines (a) through (e) in columns A and B. Divide sum on line 1A by the sum from line 1B. Multiply by 100 and enter the percent on line 1C. Round the percentage to the nearest second decimal place (e.g., 16.02%).*

**2. Payroll Factor:** The payroll factor is a fraction. The numerator is the total wages, salaries, and other compensation paid to employees in Indiana, and the denominator is the total of such compensation for services rendered for the business everywhere. Normally, the

Indiana payroll will match the unemployment compensation reports filed with the state as determined under the Model Unemployment Compensation Act. Compensation is paid in Indiana if: (a) the individual's service is performed entirely within Indiana; (b) the individual's service is performed both within and outside Indiana, but the service performed outside Indiana is incidental to the individual's service within Indiana; or (c) some of the service is performed in Indiana and (1) the base of operations, or if there is no base of operations, the place where the service is directed or controlled is in Indiana; or (2) the base of operations or the place where the service is directed or controlled is not in any state in which some part of the service is performed, but the individual's residence is in Indiana. Payments to independent contractors and others not classified as employees are not included in the factor. That portion of an employee's salary directly contributed to a Section 401K plan should be included in the factor; however, the employer's matching contribution should not be included.

#### **Total Payroll Value**

*Enter payroll values on lines 2A and 2B. Divide the total on line 2A by the total from line 2B. Multiply by 100 and enter the percent on line 2C. Round the percentage to the nearest second decimal place.*

**3. Receipts Factor:** The receipts factor is a fraction. The numerator is the total receipts of the corporation in Indiana during the tax year. The denominator is the total receipts of the corporation everywhere during the tax year.

**This factor is double-weighted in the apportionment formula.** All gross receipts of the corporation which are not subject to allocation are to be included in this factor. Do not include any previously apportioned income or any partnership distribution. The numerator of the receipts factor must include all sales made in Indiana, sales made from Indiana to the U.S. government, and sales made from Indiana to a state not having jurisdiction to tax the activities of the seller. The numerator will also contain intangible income attributed to Indiana, including interest from consumer and commercial loans, installment sales contracts, and credit and debit cards as prescribed under IC 6-3-2-2.2.

Total receipts include gross sales of real and tangible personal property less returns and allowances. Sales of tangible personal property are in Indiana if the property is delivered or shipped to a purchaser within Indiana, regardless of the f.o.b. point or other conditions of sale, or the property is shipped from an office, store, warehouse, factory, or other place of storage in Indiana, and the corporation is not subject to tax in the state of the purchaser.

Sales or receipts not specifically assigned above shall be assigned as follows: (1) gross receipts from the sale, rental, or lease of real property are in Indiana if the real property is located in Indiana; (2) gross receipts from the rental, lease, or licensing the use of tangible personal

property are in Indiana if the property is in Indiana. If property was both within and outside Indiana during the tax year, the gross receipts are considered in Indiana to the extent the property was used in Indiana; (3) gross receipts from intangible personal property are in Indiana if the corporation has economic presence in this state and such property has not acquired a business sites elsewhere. Interest income and other receipts from loans or installment sales contracts that are primarily secured by or deal with real or tangible personal property are attributable to Indiana if the security or sale property is located in Indiana; consumer loans not secured by real or tangible personal property are attributable to Indiana if the loan is made to an Indiana resident; and commercial loans and installment obligations not secured by real or tangible personal property are attributable to Indiana if the proceeds of the loan are to be applied in Indiana. Interest income, merchant discounts, travel and entertainment credit card receivables and credit card holder's fees are attributable to the state where the card charges and fees are regularly billed. Receipts from the performance of fiduciary and other services are attributable to the state where the benefits of the services are consumed. Receipts from the issuance of traveler's checks, money orders, or United States savings bonds are attributable to the state where those items are purchased. Receipts in the form of dividends from investments are attributable to Indiana if the commercial domicile is in Indiana; and (4) gross receipts from the performance of services are in Indiana if the services are performed in Indiana. If such services are performed partly within and partly outside of Indiana, a portion of the gross receipts from performance of the services shall be attributed to Indiana based upon the ratio the direct costs incurred in Indiana bear to the total direct costs of the services, unless the services are otherwise directly attributed to Indiana according to IC 6-3-2-2.2.

#### **Sales to the United States Government**

The United States government is the purchaser when it makes direct payment to the seller. A sale to the United States government of tangible personal property is in Indiana if it is shipped from an office, store, warehouse, or other place of storage in Indiana. See above rules for sales other than tangible personal property if such sales are made to the United States government.

Under (f) Other, report other gross business receipts not included elsewhere, and pro rata gross receipts from all unitary-partnership(s), excluding from the factors the portion of distributive share income derived from a previously apportioned partnership source [45 IAC 3.1-1-153(b)].

#### **Total Receipts**

*Complete all lines as indicated. Add receipt factor lines 3(a) through 3(f) in column A, enter total on line 3A. Enter total receipts everywhere on line 3B. See line 4(a) for calculation of the percentage. Round percentage to the nearest second decimal place.*

#### 4. Summary: Apportionment of Income for Indiana

- (a) Divide sum on line 3A by the total from line 3B. Multiply by 100 to arrive at a percentage rounded to the nearest second decimal place. Enter the quotient on the 4(a)1 space provided and multiply by the 200% (2.0) double weight adjustment. Enter the product on line 4a of column C.
- (b) Add entries on lines 1C, 2C and 4a of column C. Enter the sum of the percentages on line 4b.
- (c) Divide the total percentage entered on line 4b by 4. Enter the average Indiana apportionment percentage (rounded to the nearest second decimal place) on line 4c and carry to Schedule A, line 5 of Form IT-20S.

The property and payroll factors are each valued as a factor of 1 in the apportionment of income formula. The receipts factor is valued as a factor of 2. The combined three factor denominator equals 4. When there is a total absence of one of these factors in column B, you must divide the sum of the percentages by the number of the remaining factor values present in the apportionment formula.

#### Part II - Business/Other Income Questionnaire

Complete all applicable questions in this section. If income is apportioned, list (a) all business locations where the corporation has operations. Indicate (b) the nature of the business activity at each location, including whether a location (c) accepts orders in that state, (d) is registered to do business in that state, or (e) files income tax returns in other states, and whether property in the other states is (f) owned or (g) leased.

You must attach the completed IT-20S Schedule E, Apportionment of Income to your return.

#### Pass-through Tax Credits

Each shareholder is allowed a pro rata share of the income tax credits available to the S corporation. If the pass-through entity does not have a state adjusted gross income tax liability (Schedule B tax computation) against which the enterprise zone credit must be applied, the shareholders of the pass-through entity are entitled to a pro rata share of the computed credit. Note: Enterprise zone credits, along with most other tax liability credits, may not be applied against the S corporation's withholding, composite or use tax liabilities on Form IT-20S.

Each shareholder's share of an available credit is reported on IT-20S Schedule IN K-1, line 15, and must be supported by attaching the properly completed tax credit schedule or form to the corporation's return. The shareholders may claim their allowable portion of Indiana credits on their respective annual income tax returns: Form IT-40, IT-40PNR or IT-41.

**Caution:** Within a certain group of credits a taxpayer may not be granted more than one credit for the same project. The credits that are included for this group are the capital investment credit, community revitalization enhancement district credit, enterprise zone investment cost credit, Hoosier business investment credit, industrial recovery credit, military base recovery credit, military base investment cost credit and the venture capital investment credit. Apply this restriction first when figuring allowable credits. Refer Income Tax Information Bulletin 59 at [www.in.gov/dor/reference](http://www.in.gov/dor/reference) for more information about Indiana tax credits available to taxpayers who file income tax returns.

The following credits have been assigned a three-digit code number for identification purposes. Use the code numbers when reporting and claiming any of these credits.

#### Coal Combustion Product Tax Credit (805)

A manufacturer who uses coal combustion products (byproduct resulting from the combustion of coal in an Indiana facility) for the manufacturing of recycled components may be eligible for this credit. An existing business that manufactures recycled components, and increases the acquisitions of coal combustion products by 10 percent over the average amount obtained in the previous three years is also eligible for the credit. Note: A taxpayer that obtains a property tax deduction for investment property purchased by the manufacturer of coal combustion products is not eligible for this credit.

To obtain the credit, the taxpayer must file with the Department information that the Department determines is necessary for the calculation of the credit. An approved Form CCP-100 must be attached to verify the claimed credit. For more information, contact the Indiana Department of Revenue, Coal Combustion Credit, Room N203, 100 N. Senate Ave., Indianapolis, IN 46204.

#### Historic Building Rehabilitation Tax Credit (819)

An historic building rehabilitation tax credit is available for the rehabilitation and preservation of historic properties. The credit is 20 percent of the total cost of certified rehabilitation expenses of at least \$10,000 made to a registered Indiana historic site or structure that is at least 50 years old, owned by the taxpayer, and actively used in a trade or business. The credit may be used to offset a taxpayer's total state income tax liability but any excess credit may be carried forward for up to 15 tax years.

To qualify for the credit, you must obtain certification from the Division of Historic Preservation and Archaeology, Indiana Department of Natural Resources. Refer to Income Tax Information Bulletin #87. For additional information, you may call the Department of Natural Resources at (317) 232-1646, or visit online at [www.in.gov/dnr/historic](http://www.in.gov/dnr/historic)



### **Indiana Research Expense Tax Credit (822)**

Compute credit using Schedule IT-20REC for increased Indiana research expenses that are very similar to the federal credit for research and experimental expenses paid in carrying on a trade or business in Indiana. Use the schedule revised July 1, 2005 or after, for qualified expenses.

Attach Schedule IT-20REC to the return. For more information about this credit, contact the Department.

### **Individual Development Account Tax Credit (823)**

A tax credit is available for contributions made to a community development corporation participating in an Individual Development Account (IDA) program. The IDA program is designed to assist qualifying low-income residents to accumulate savings and build personal finance skills. The organization must have an approved program number from the Indiana Housing Finance Authority before a contribution qualifies for pre-approval.

Applications for the credit are filed through the Community Development Corporation using Form IDA-10/20.

The credit is equal to 50 percent of the contribution, which must not be less than \$100 and not more than \$50,000. An approved Form IDA 20 must be attached to the return if claiming this credit. To request additional information about the definitions, procedures, and qualifications for obtaining this credit, contact: Housing Finance Authority, 30 S. Meridian St., Suite 1000, Indianapolis, IN 46204, or at telephone number (317) 232-7777.

### **Neighborhood Assistance Tax Credit (828)**

If you made a contribution to the Neighborhood Assistance Program (NAP) or engaged in activities to upgrade areas in Indiana, you may be able to claim a credit for this assistance. Contact the Indiana Housing & Community Development Authority. Neighborhood Assistance Program, 30 S. Meridian, Suite 1000, Indianapolis, IN 46204, telephone number (317) 232-7777, for more information.

Form NC-20 must be attached to the return to claim this credit. For more information about this credit, contact the Department at and request Form NC-10/20 and Income Tax Information Bulletin #22 or visit our Web site at [www.dor.in.gov](http://www.dor.in.gov)

### **Prison Investment Tax Credit (829)**

A credit is allowed for amounts invested in Indiana prisons to create jobs for prisoners. The amount is limited to 50 percent of the investment in a qualified project approved by the Department of Corrections, plus 25 percent of the wages paid to inmates. The maximum credit a taxpayer may claim is \$100,000 per year. Contact the Indiana Department of Correction, Office of the Commissioner, Indiana Government Center South, Room E334, Indianapolis, IN 46204, for additional information.

### **Voluntary Remediation Tax Credit (836)**

A voluntary remediation state tax credit is available for qualified investments involving the redevelopment of a brownfield and environmental remediation. The Indiana Department of Environmental Management and the Indiana Development Finance Authority must determine and certify that the costs incurred in a voluntary remediation are qualified investments.

The total amount of credits that may be granted in each state fiscal year is limited to \$2 million and must be claimed in a taxable year that begins before Dec. 31, 2007, excluding carry-forwards. Carryover of prior unused credit may be carried back only one year or carry forward up to five years. Contact the Indiana Department of Environmental Management, Indiana Government Center North, Room N1101, Indianapolis, IN 46204, or visit their Web site at [www.in.gov/idem](http://www.in.gov/idem) for additional information.

*For information regarding the definitions, procedures, and qualifications for the following credits, contact: Indiana Economic Development Corporation, One North Capitol, Suite 700, Indianapolis, IN 46204, or call (317) 232-8800; Web address: [www.in.gov/iedc](http://www.in.gov/iedc)*

### **Airport Development Zone Tax Credits**

Certain areas within Indiana have been designated as airport development zones (ADZ). These zones are established to encourage investment and job growth in distressed urban areas. Airport development zone tax credits are based on the same tax credits benefits that are available within designated Indiana enterprise zones. Currently, an airport development zone is established within areas Allen County.

Obtain Income Tax Information Bulletin 66 at [www.in.gov/dor/reference/bulletins/income/pdf/ib66.pdf](http://www.in.gov/dor/reference/bulletins/income/pdf/ib66.pdf) for more information and how to calculate credit. Following are the three available airport development zone tax credits:

### **Airport Development Zone Employment Expense Credit (800)**

This credit is based on qualified investments made within Indiana. It is the lesser of 10 percent of qualifying wages, or \$1,500 per qualified employee, up to the amount of tax liability on income derived from the airport development zone. Use credit ID code number 800 and attach ADZ substitute Schedule EZ, Parts 1, 2 and 3.

### **Airport Development Zone Investment Cost Credit (801)**

This credit is based on qualified investments made within Indiana. It can be up to a maximum of 30 percent of the investment, depending on the number of employees, the type of business and the amount of investment in an airport development zone. Use credit ID code number 801.



## **Airport Development Zone Loan Interest Credit (802)**

This credit can be for up to five percent of the interest received from all qualified loans made during a tax year for use in an Indiana airport development zone. Use credit ID code number 802 and attach ADZ substitute Schedule LIC.

## **Blended Biodiesel Tax Credits (803)**

Credits are available for taxpayers who produce biodiesel and/or blended biodiesel at an Indiana facility (certified by the IEDC) and for dealers who sell at retail to end users blended biodiesel. Refer to Income Tax Information Bulletin 91 for further information.

An approved Department of Revenue Form BD-100 must be attached to verify the claimed credit. Contact the Indiana Economic Development Corporation, Biodiesel Credit Certification, One North Capitol, Suite 700, Indianapolis, IN 46204, or visit their Web site at [www.in.gov/iedc](http://www.in.gov/iedc) for more information.

## **Capital Investment Credit (804)**

A capital investment cost credit is available for on certain qualified capital investments made in Shelby County. The credit must be certified by the Indiana Economic Development Corporation. It is equal to 14 percent of the amount of the approved qualified investment and is ratable over a seven year period. For information regarding the definitions, procedures and qualifications for obtaining this credit, contact the Indiana Economic Development Corporation, Enterprise Zone Board, One North Capitol, Suite 700, Indianapolis, IN 46204, or visit their Web site at [www.in.gov/iedc](http://www.in.gov/iedc)

## **Coal Gasification Technology Investment Tax Credit (806)**

A credit is available for a qualified investment in an integrated coal gasification power plant or a fluidized bed combustion technology. A copy of taxpayer's certificate of compliance issued by the Indiana Economic Development Corporation must be attached.

For more information, contact the Indiana Economic Development Corporation, One North Capitol, Suite 700, Indianapolis, IN 46204, or visit their Web site at [www.in.gov/iedc/](http://www.in.gov/iedc/)

## **Community Revitalization Enhancement District Credit (808)**

A state and local income tax liability credit is available for a qualified investment for redevelopment or rehabilitation of property within a community revitalization enhancement district. The expenditure must be approved by the Indiana Economic Development Corporation before it is made. The credit is equal to 25 percent of the qualified investment made by the taxpayer during the taxable year. The Indiana Department of Revenue has the authority to disallow any credit if the taxpayer ceases existing operations or substantially reduces its operations within the district or

elsewhere in Indiana, or reduces other Indiana operations to relocate them into the district.

The taxpayer can assign the credit to a lessee who remains subject to the same requirements. The assignment must be in writing and any consideration may not exceed the value of the part of the credit assigned. Both parties must report the assignment on their state income tax return for the year of assignment.

## **EDGE Program and Job Retention Credits**

The Economic Development for a Growing Economy (EDGE) credit for job retention is a state refundable tax liability credit. This credit is for businesses who conduct certain activities which are designed to foster job creation or job retention in Indiana. The job retention criteria require that the applicant employ at least 75 (35 effective April 1, 2006) employees. The aggregate amount of credits awarded for projects to retain existing jobs in Indiana is capped at \$10 million per year.

Contact the Indiana Economic Development Corporation (IEDC), One North Capitol, Suite 700, Indianapolis, IN 46204, for eligibility requirements, or visit [www.in.gov/iedc/incentives/edge.html](http://www.in.gov/iedc/incentives/edge.html) for additional information.

A taxpayer claiming this credit must include all information that the Department determines necessary for the calculation of the credit on the annual state tax return. The letter of approval of credit from the IEDC must be attached or this credit will not be allowed.

An EDGE credit that passes-through to the shareholder must be claimed according to the instructions on the shareholder's income tax return. A copy of the entity's approval letter must be provided to the shareholders for attachment to their returns. The EDGE credit that is qualified for direct refund at the entity level is claimed as a refundable credit on line 18.

## **Enterprise Zone Employment Expense Tax Credit (812)**

This credit is available for employers based on qualified investments made within Indiana. It is the lesser of 10 percent of qualifying wages, or \$1,500 per qualified employee, up to the amount of tax liability on income derived from an active enterprise zone. Contact the Department to get Income Tax Information Bulletin 66 and Indiana Schedule EZ, Parts 1, 2 and 3 for information on how to calculate this credit.

Attach the completed Schedule EZ 2 to the IT-20S return.

## **Enterprise Zone Loan Interest Tax Credit (814)**

This credit can be for up to five percent of the interest received from all qualified loans made during a tax year for use in an active Indiana enterprise zone. Obtain Income Tax Information Bulletin 66 at [www.in.gov/dor/reference/bulletins/income/pdf/ib66.pdf](http://www.in.gov/dor/reference/bulletins/income/pdf/ib66.pdf) and Indiana Schedule LIC for

more information and how to calculate this credit. Attach completed enterprise zone Schedule LIC to the IT-20S return.

### **Ethanol Production Tax Credit (815)**

An ethanol production tax credit may be available to a taxpayer having an Indiana facility with a capacity to produce forty million gallons of ethanol per year. Proof of information for the credit calculation plus a copy of the Certificate of Qualified Facility issued by the Indiana Recycling and Energy Development Board must be attached to the return to verify this credit. Refer to Income Tax Information Bulletin 93 for further information.

File Application for Ethanol Credit Certification, State Form 52302, with the Indiana Economic Development Corporation, Ethanol Credit Certification, One North Capitol, Suite 700, Indianapolis, IN 46204, or visit their Web site at [www.in.gov/iedc/](http://www.in.gov/iedc/) for additional information.

### **Headquarters Relocation Tax Credit (818)**

A business with annual worldwide revenue of \$100 million and at least 75 employees that relocates its corporate headquarters to Indiana may be eligible for a credit. The credit may be as much as 50 percent of the cost incurred in relocating the headquarters. For more information, refer to Income Tax Information Bulletin 97 at: [www.in.gov/dor/reference/bulletins/income/pdf/ib97.pdf](http://www.in.gov/dor/reference/bulletins/income/pdf/ib97.pdf)

### **Hoosier Business Investment Tax Credit (820)**

A state income tax credit is available for qualified investments, which include the purchase of new telecommunications, production, manufacturing, fabrication, processing, refining, or finishing equipment that is directly related to expanding the workforce in Indiana. Qualified investments include onsite infrastructure improvements, construction costs, retooling existing machinery and equipment, and costs associated with special purpose buildings and foundations. It does not apply to property that can be readily moved out of Indiana.

This credit is administered by the Indiana Economic Development Corporation. Visit their Web site at [www.in.gov/iedc/incentives/hbitc.html](http://www.in.gov/iedc/incentives/hbitc.html) for additional information. Also, refer to Income Tax Information Bulletin 95 at [www.in.gov/dor/reference/bulletins/income/pdf/ib95.pdf](http://www.in.gov/dor/reference/bulletins/income/pdf/ib95.pdf) for more information. The taxpayer is required to submit to the Department a copy of the certificate from the IEDC verifying the amount of tax credit for the taxable year.

### **Military Base Investment Cost Tax Credit (826)**

An income tax credit is available to taxpayers for a qualified investment in a business located in a current or former military base, a military base reuse area, an economic development area, a military base recovery site or a military base enhancement area. The amount of the credit depends on the type of business, the number of jobs created, and the amount of the investment.

An entity making a qualified investment in a business located in a county where the Crane military base is located is also eligible for the military base investment cost tax credit. The tax military base enhancement area is extended to comprise portions of three counties: Greene, Lawrence and Martin that are outside of the certified technology park adjoining the crane military base. The taxpayer's qualified investment must be in a business that meets one of the following criteria: (1) the business must be a participant in the technology transfer program conducted by the qualified military base, or (2) the business and the qualified military base have a mutual beneficial relationship evidenced by a memorandum of understanding.

To receive credit, the taxpayer must submit to the Department documentation of qualified investment and certification of the percentage credit allowed by the Indiana Economic Development Corporation.

### **Military Base Recovery Tax Credit (827)**

A state tax credit is available for rehabilitation of real property located in military base facilities designated by the state Enterprise Zone Board. A maximum credit of 25 percent of the qualified investment in the facility depends on when the property was initially placed in service.

A claimant may also be a lessee of property in a military base recovery site and assigned part of the tax credit based upon the owner's or developer's qualified investment within a military recovery site. The assignment must be in writing and any consideration may not exceed the value of the part of the credit assigned. Both parties must report the assignment on their state income tax return for the year of assignment. The lessee may use the credit to offset its total state income tax liability, but any excess credit must be carried forward to the immediately following tax year(s).

An entity that would be entitled to this credit is not entitled to the credit if the entity ceases or drastically reduces operations at the military base recovery site.

### **Rerefined Lubricated Oil Facility Tax Credit (830)**

A pass through entity may be eligible, as determined by the Indiana Economic Development Corporation, for a state tax credit against its income and sales and use tax liabilities. The credit is based on a percentage of the real and personal property taxes paid by an entity that processes rerefined lubrication oil as defined in IC 6-3.1-22.2. If the business entity has no adjusted gross income or sales and use tax liabilities the shareholders are entitled to claim, as a pass-through, their share of the credit. Refer to Income Tax Information Bulletin 94 for further information.

## Venture Capital Investment Tax Credit (835)

An entity that provides qualified investment capital to a qualified Indiana business may be eligible for this credit. The maximum amount of credit is equal to the lesser of 20 percent of the qualified investment or \$500,000. The credit is limited to investments that occur before Dec.31, 2008. The carry forward provision is limited to the immediate five-succeeding taxable years.

Certification for this credit is to be obtained from the Indiana Economic Development Corporation Development Finance Office, VCI Credit Program, One North Capitol, Suite 700, Indianapolis, IN 46204, telephone number (317) 232-8800, or visit their Web site at [www.in.gov/iedc/incentives/venture.html](http://www.in.gov/iedc/incentives/venture.html). A copy of the certificate and proof of that the investment capital was provided to the qualified business within two years after the certification of the investment plan must be submitted to the Department of Revenue when filing taxpayer's tax return.

## Instructions for Completing Indiana Form DB020W-NR

Use this form (if you have not established a separate nonresident withholding account) to remit Indiana state income tax withholding on annual income distributions to nonresident shareholders, nonresident partners or nonresident beneficiaries of trusts and estates. Also, include county income tax withholding for an Indiana tax-adopting county if on Jan. 1 of the tax year this was the nonresident's principal place of business or employment. If already registered as a nonresident withholding agent, use the designated Form WH-1 (Indiana Withholding Tax Voucher).

Payment is generally due within thirty (30) days following the end of the tax year, or quarter (if the liability for a quarterly period exceeds \$150). However, if an entity pays or credits amounts to its nonresident shareholders, partners or beneficiaries one time each year, the withholding payment is due on or before the fifteenth day of the third month after the end of the taxable year.

**Caution:** This form will establish a separate nonresident withholding account followed by a letter requesting any additional information needed to complete the registration.

- Complete Form DB020W-NR by entering the assigned Indiana taxpayer identification number. Indicate the withholding liability reporting period by entering a six-digit number corresponding to the ending month and year in the blocks provided, e.g.,
- Enter full name and address in the space provided.
- Line A: Enter the withholding tax paid with this return for the tax period indicated. Do not include penalty and interest if paying late. The Department will calculate and bill for penalty and interest if payment is received after the due date. 

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- Line B: Enter the total withholding tax due for the ending tax period indicated. Do not include penalty or interest. If remittance is equal to the total amount due,

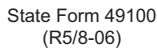
the amount reported on A and B should be the same.

- Sign and date the form. List daytime telephone number. Enter federal identification number for prompt processing of this form. Upon proper registration, the Department will mail an Indiana nonresident withholding return coupon(s) for the next tax year for use in filing the required monthly, quarterly or annual withholding returns.

**Note:** Form WH-3 (Annual Withholding Reconciliation and Transmittal Form) and state copies of Form WH-18 (Indiana Miscellaneous Withholding Tax Statement) must be filed annually on or before the end of February. The Department may permit an entity paying or crediting amounts to its nonresidents only one time each year an extension of time to file Form WH-3, until March 15 following the close of the calendar year in which the taxable year ends. However, the payment of withholding tax on the one time annual distribution is required to have been remitted (and the withholding statement provided to the payee) 2 1/2 months after the end of the entity's taxable year.

An extension of time to file Form WH-3 may be requested if the information on the distributive share of income reportable on Form WH-18 is not available by the due date. However, an extension of time to file Form WH-3 does not extend the time to pay withholding tax due on Forms WH-1 or DB020W-NR.

If you have any questions regarding this form or the withholding tax, please call the Indiana Department of Revenue, Taxpayer Services at (317) 233-4016.



## INDIANA TAXPAYER IDENTIFICATION NUMBER:

(IF NONE, INDICATE FEDERAL I.D. NUMBER BELOW)

LOCATION

TAXPAYER'S NAME AND ADDRESS:

NAME \_\_\_\_\_

STREET \_\_\_\_\_

CITY \_\_\_\_\_

STATE \_\_\_\_\_ ZIP CODE \_\_\_\_\_

ENTER YOUR FEDERAL IDENTIFICATION NUMBER:

IS THIS A ONE TIME ANNUAL DISTRIBUTION? ☐ YES ☐ NO

X \_\_\_\_\_

AUTHORIZED SIGNATURE

DATE \_\_\_\_\_ DAYTIME TELEPHONE NUMBER (\_\_\_\_) \_\_\_\_\_

DO NOT USE THIS FORM FOR REPORTING PAYROLL WITHHOLDING TAX.

TAX PERIOD ENDING:

M M

Y Y Y Y

CODE DEPT USE ONLY

**A**

TOTAL AMOUNT OF PAYMENT

B.

TOTAL AMOUNT DUE

*DO NOT SEND CASH*

MAKE CHECK OR MONEY ORDER IN U.S. FUNDS PAY-  
 ABLE TO THE: **INDIANA DEPARTMENT OF REVENUE**

**MAIL COMPLETED FORM TO:  
INDIANA DEPARTMENT OF  
REVENUE  
P.O. BOX 6197  
INDIANAPOLIS, IN 46206-6197**

1. Complete the S corporation's identification section.
2. List name of the Indiana county; place O.O.S. in the county box to indicate an out-of-state business operation.
3. S corporations filing on a fiscal year basis must enter their tax year beginning and ending dates.
4. Composite return must be filed on Schedule IT-20COMP.
5. Attach IT-20S Schedule E- Apportionment of Income, if applicable.
6. Attach copies of the first four pages of the U.S. Income Tax Return for an S Corporation, Form 1120S and Schedule M-3.
7. Use Form DB020W-NR (for an initial payment) or designated Form WH-1 to pay withholding tax on income distributions to nonresident shareholders.
8. If corporation's name is changed, check box at top of return. Attach to return copies of amended Articles of Incorporation filed with the Indiana Secretary of State.

In accordance with the Indiana Taxpayer Bill of Rights, the Indiana Department of Revenue will conduct an annual public hearing on Monday, June 11, 2007. Please come and share your ideas on how the Department can better administer Indiana tax laws. The hearing will be held from 9-10 a.m., in the Indiana Government Center South, Conference Center - Room 6, 402 W. Washington St., Indianapolis, Indiana. If you are unable to attend, please submit your concerns in writing to: Indiana Department of Revenue, Commissioner's Office, 100 N. Senate Ave., Indianapolis, IN 46204.

Reduce the burden of managing sales and withholding tax obligations by using INtax, Indiana's free online business tax filing program. INtax puts the business owner in control of their tax accounts.

- **File** and pay anytime of day.
- **Schedule** future payments.
- **Check** account balances instantly.
- **Manage** multiple businesses under one profile.
- **Review** transaction history and receipt confirmation.
- **Establish** multiple users and set access rights by user.
- **Correspond** directly and confidentially with the Department.

27